

Message Text

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PAGE 01 STATE 169815
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C O N F I D E N T I A L STATE 169815

EXDIS, FOR AMB FROM THE SECRETARY

E.O. 11652: GDS

TAGS: EAID, SA

SUBJECT: SAUDI ARABIAN CONTRIBUTION TO THE MULTILATERAL
DEVELOPMENT BANKS (MDBS)

1. AS YOU KNOW, THE ADMINISTRATION HAS STRONGLY
ENDORSED ECONOMIC ASSISTANCE TO THE DEVELOPING
COUNTRIES AS A MEANS OF PROMOTING WORLD ECONOMIC
PROSPERITY AND POLITICAL STABILITY. IT IS COMMITTED
TO INCREASE ITS BILATERAL OFFICIAL DEVELOPMENT
ASSISTANCE AND ITS CONTRIBUTIONS TO THE MULTILATERAL
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PAGE 02 STATE 169815

DEVELOPMENT BANKS (MDBS). SINCE MDBS PLAY A
VITAL ROLE IN THE OVERALL DEVELOPMENT EFFORT, THE USG
HAS CONSISTENTLY SUPPORTED THEM BOTH DIRECTLY,
WITH APPROPRIATED FUNDS, AND INDIRECTLY, BY
ASKING WEALTHY COUNTRIES FRIENDLY TO U.S. TO
MAXIMIZE THEIR CONTRIBUTIONS. THEREFORE, ALTHOUGH
WE REALIZE THE SAG IS ALREADY A MAJOR AID CONTRIBUTOR

AND IS SENSITIVE TO BEING PRESSURED FREQUENTLY TO CONTRIBUTE MORE, I ASK YOU TO RAISE THE MATTER OF CONTRIBUTIONS TO MDBS WITH SAG AT APPROPRIATE LEVEL, DRAWING FROM FOLLOWING POINTS:

-- THE UNITED STATES BELIEVES THAT THE CONTINUATION OF THE NON-OIL DEVELOPING COUNTRIES' RELATIVELY HIGH RATE OF ECONOMIC GROWTH (4.7 PERCENT AS A GROUP IN 1977 ACCORDING TO AN UNCLASSIFIED CIA ESTIMATE) WILL REQUIRE THE TRANSFER OF GREATER AMOUNTS OF DEVELOPMENTAL RESOURCES TO THEM. THE UNITED STATES IS COMMITTED TO INCREASING ITS OFFICIAL DEVELOPMENT ASSISTANCE SUBSTANTIALLY OVER THE NEXT SEVERAL YEARS.

-- AT PRESENT MANY OF THE ADVANCED DEVELOPING COUNTRIES OBTAIN DEVELOPMENT FUNDS FROM COMMERCIAL BANKS. HOWEVER, THE DEVELOPING COUNTRIES NEED LOANS WITH LONGER MATURITIES. THE MDBS COULD USE ADDITIONAL RESOURCES TO MEET THIS NEED. MOREOVER, WE EXPECT THE POOR DEVELOPING COUNTRIES TO CONTINUE TO RELY HEAVILY ON THE SOFT-LOAN WINDOWS OF THE MDBS.

-- MDBS PLAY A VITAL ROLE IN WORLD ECONOMIC DEVELOPMENT NOT ONLY BY TRANSFERRING TO LDCS
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PAGE 03 STATE 169815

SCARCE CAPITAL ON APPROPRIATE TERMS BUT ALSO BY PROVIDING SOUND ADVICE ON ECONOMIC AND FINANCIAL POLICIES AND INSISTING ON ITS IMPLEMENTATION, A TASK WHICH INDIVIDUAL DONORS OFTEN FIND DIFFICULT TO ACCOMPLISH DIRECTLY. THEY ARE VERY IMPORTANT TO EFFORTS TO FOSTER A PROSPEROUS GLOBAL ECONOMY.

-- WE HOPE TO INCREASE THE REAL RESOURCES AVAILABLE TO THE MDBS. IN 1977 WE AGREED TO CONTRIBUTE \$2.4 BILLION TO THE FIFTH REPLENISHMENT OF IDA; WE JUST THIS SPRING PLEDGED \$125 MILLION TO THE AFRICAN DEVELOPMENT FUND AND \$445 MILLION TO THE ASIAN DEVELOPMENT FUND. WE EXPECT TO PLEDGE SUBSTANTIAL ADDITIONAL RESOURCES TO THE REPLENISHMENT OF THE INTER-AMERICAN DEVELOPMENT BANK, THE WORLD BANK'S GENERAL CAPITAL INCREASE, AND THE SIXTH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA).

-- WE ARE WELL AWARE OF SAUDI ARABIA'S MAJOR ROLE AS A BILATERAL LENDER AND PARTICIPANT IN REGIONAL DEVELOPMENT FUNDS AND OF THE SIGNIFICANT CONTRIBUTIONS SAG HAS

ALREADY MADE TO SOME OF THE MDBS. FOR INSTANCE, SAG
PLEDGED \$250 MILLION TO THE FIFTH REPLENISHMENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION WHICH WAS AGREED
TO IN MARCH 1977. IN APRIL 1978 SAG INCREASED ITS
TOTAL CONTRIBUTION TO THE FIFTH REPLENISHMENT BY \$100
MILLION (TO \$350 MILLION). WE APPRECIATE SAUDI ARABIA'S
ADDITIONAL \$100 MILLION CONTRIBUTION. WE HOPE SAUDI ARABIA
WILL JOIN THE U.S. AND OTHER COUNTRIES--INCLUDING ADVANCED
DEVELOPING COUNTRIES LIKE BRAZIL AND ARGENTINA,
WHICH RECENTLY MADE PLEDGES TO THE AFRICAN DEVELOPMENT
FUND--IN INCREASING FURTHER THE RESOURCES AVAILABLE TO
THE MDBS.

-- WHILE WE REALIZE SAG BALANCE-OF-PAYMENTS SURPLUS
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PAGE 04 STATE 169815

MAY BE DECREASING FROM RECENT HIGH LEVELS,

SAUDI ARABIA IS STILL IN A BETTER POSITION THAN
MOST OTHER DONORS TO INCREASE ITS CONTRIBUTIONS.
THE IDA VI NEGOTIATIONS WILL PROVIDE SAUDI ARABIA
WITH AN OPPORTUNITY TO MAKE A SUBSTANTIAL INVESTMENT
IN INCREASED PROSPERITY, AND HENCE STABILITY, IN
THE DEVELOPING COUNTRIES. WHILE SAUDI ARABIA ALREADY
IS A MEMBER OF THE AFRICAN DEVELOPMENT FUND, IT COULD
JOIN THE OTHER REGIONAL DEVELOPMENT BANKS AS WELL.
IT COULD MAKE ADDITIONAL CONTRIBUTIONS TO IDA AND THE
SOFT-LOAN WINDOWS OF THE OTHER REGIONAL DEVELOPMENT
BANKS.

-- IN ADDITION TO HELPING EXPAND THE MDBS'
RESOURCES, THE SAG CAN HELP BY MORE FREQUENTLY
CO-FINANCING MDB-LED PROJECTS. THIS WOULD ENABLE THE
SAG TO RETAIN MANY OF THE POLITICAL GAINS WHICH
BILATERAL PROJECTS BRING WITHOUT THE OVERHEAD
COSTS OF INDEPENDENT ACTION.

-- WE WOULD ALSO WELCOME THE PURCHASE BY
SAUDI ARABIA OF A SUBSTANTIAL AMOUNT OF THE BONDS
BEARING MARKET INTEREST RATES WHICH THE WORLD
BANK AND OTHER MDBS EXPECT TO ISSUE IN 1978.
(WE DO NOT BELIEVE SAUDI ARABIA HAS PURCHASED
WORLD BANK BONDS RECENTLY.)

-- IF SAUDI ARABIA WISHES TO MAINTAIN GREATER
CONTRO- OVER THE RESOURCES IT CONTRIBUTES TO THE
BANKS, IT MIGHT EXPLORE WITH THE BANKS THE ESTABLISHMENT
OF SAUDI ARABIAN CONCESSIONAL TRUST FUNDS IN ONE
OR MORE OF THE BANKS BASED ON THE PRINCIPLE OF THE
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PAGE 05 STATE 169815

VENEZUELAN TRUST FUND IN THE IDB.

-- WE HOPE THAT, WHATEVER SAG DECISIONS
MIGHT BE MADE VIS-A-VIS MDBS, OUR TWO GOVERNMENTS
WILL CONSULT CLOSELY AND FREQUENTLY ON AID MATTERS
IN THE FUTURE. IN THIS CONNECTION, WE WOULD
SUPPORT SAG PARTICIPATION IN ADDITIONAL INTERNATIONAL
LENDING CONSULTATIVE GROUPS FOR COUNTRIES IN
WHICH THE SAG HAS INTEREST. IS SAG WILLING TO
PARTICIPATE IF INVITED?

2. I LOOK FORWARD TO YOUR REPORT. VANCE

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